

Message Text

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FOR HULIHAN AT EX-IM BANK

E.O. 11652: NA

TAGS: BBAK, NU

SUBJECT: EX-IM BANK REQUEST FOR INFORMATION ON NICARAGUA SUGAR
ESTATES

REF: TELCON SEPT 3 1975

1. NICARAGUAN SUGAR ESTATES LTD. IS THE LARGEST SUGAR PRODUCER IN NICARAGUA, PRODUCING ABOUT 60 PERCENT OF NICARAGUA'S ANNUAL PRODUCTION. IT IS A VERY HIGHLY REGARDED FIRM, AND IS STRONGLY RECOMMENDED BY THE EMBASSY AS A TRADE CONTACT FOR AMERICAN FIRMS.

2. THE PRINCIPAL COMPETITOR OF NICARAGUA SUGAR ESTATES IS THE SOMOZA CONTROLLED CENTRAL DE INGENIOS Y ANEXOS, WHICH ALSO EXPORTS SUGAR IN ADDITION TO MARKETING SUGAR ON THE DOMESTIC MARKET. THIS COMPETITION SHOULD NOT, HOWEVER, IN ANY WAY HAMPER NICARAGUA SUGAR ESTATES IN EXPANDING ITS BUSINESS IN THE FUTURE. THE DOMESTIC MARKET IS EXPECTED TO GROW UP TO 10 PERCENT PER YEAR, AND THE WORLD MARKET FOR SUGAR LOOKS FAVORABLE.

3. ON SEPTEMBER 11, 1974 A LAW WAS PASSED IN NICARAGUA AIMED AT ASSURING THAT DOMESTIC REQUIREMENTS BE MET FIRST AND THAT, SECONDLY, QUOTAS FOR PREFERENTIAL MARKETS BE MET. ACCORDING
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TO THE LAW, THE MINISTRY OF ECONOMY IS TO DETERMINE IN NOVEMBER

OF EACH YEAR WHAT DOMESTIC REQUIREMENTS AS WELL AS PREFERENTIAL MARKET QUOTAS WILL BE FOR THE FOLLOWING YEAR. THE MINISTRY WILL AUTHORIZE EXPORTS TO PREFERENTIAL MARKETS ONLY IF DOMESTIC REQUIREMENTS CAN BE FULLY MET, AND EXPORTS TO NON-PREFERENTIAL MARKETS WILL BE AUTHORIZED ONLY IF PREFERENTIAL MARKET QUOTAS CAN BE MET. A COMMITTEE OF REPRESENTATIVES OF THE SUGAR MILLS SUGAR GROWERS, AND THE PUBLIC IN GENERAL IS TO OVERSEE THE ACTIONS OF THE MINISTRY OF ECONOMY. ESPECIALLY DIFFICULT AND TOUCHY WILL BE THE MINISTRY'S HANDLING OF HOW TO SPLIT THE VARIOUS MARKETS AMONG THE VARIOUS SUGAR PRODUCERS.

4. CURRENTLY THE DOMESTIC PRICE OF SUGAR IS MAINTAINED AT A PRICE WELL BELOW THE WORLD PRICE. A FIVE POUND BAG OF REFINED SUGAR SELLS FOR ABOUT US\$.85 RETAIL IN THE DOMESTIC MARKET.

5. NICARAGUA SUGAR ESTATES' EXPANSION PLANS ARE AMBITIOUS; HOWEVER, GIVEN THE FIRM'S COMPETENT MANAGEMENT, VERY SUBSTANTIAL FINANCIAL BACKING, AND THE FAVORABLE WORLD MARKET FOR SUGAR, THE EXPANSION PLANS ARE QUITE REALISTIC AND GOOD BUSINESS POLICY. THE FIRM RECENTLY CONCLUDED A LONG-TERM SUPPLY AND PRICE AGREEMENT WITH THE COCA-COLA COMPANY OF THE U.S., AND IT IS SEEKING OTHER SUCH LONG-TERM AGREEMENTS. SUCH LONG-TERM SUPPLY AND PRICE AGREEMENTS NOT ONLY GIVE EVIDENCE OF THE FIRM'S PROFESSIONAL MANAGEMENT, BUT THEY ASSURE A VERY STABLE, PROFITABLE FUTURE FOR THE FIRM.
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